

REPORT TO CONGRESS
Interagency Budget Crosscut of Federal Spending on Ecosystem Restoration
in California's Bay-Delta Region, 1993-1998

Introduction

The California Bay-Delta Environmental Enhancement and Water Security Act (Act) requires the Office of Management and Budget to submit to the House and Senate Appropriations Committees an interagency budget crosscut of Federal agency spending for ecosystem restoration and other purposes in California's San Francisco Bay-Sacramento/San Joaquin Delta region (Bay-Delta) for fiscal years (FY) 1993 through 1998. Specifically, Section 103 of the Act states:

"The Office of Management and Budget is directed to submit to the House and Senate Committees on Appropriations, as part of the President's Fiscal Year 1998 Budget, an interagency budget crosscut that displays Federal spending for fiscal years 1993 through 1998 on ecosystem restoration and other purposes in the Bay-Delta region, separately showing funding provided previously or requested under both preexisting authorities and new authorities granted by this title."

This report fulfills these requirements.

FY 1998 Budget

The President's FY 1998 Budget requests a total of \$213.3 million for ecosystem restoration and other activities in California's ecologically and economically important Bay-Delta. Of this amount, \$70.0 million is baseline spending for programs undertaken pursuant to preexisting authorizations. The additional \$143.3 million requested in FY 1998 is the full amount of FY 1998 spending authorized by the Act. The Act became effective in November 1996, when California voters approved the provisions of California Senate Bill 900 (SB 900). This California law authorized a \$995 million bond issue to cover State cost-sharing for activities to restore the Bay-Delta ecosystem and for other California water resources activities. The \$143.3 million increase provided in the President's Budget for Bay-Delta represents a 204 percent increase in spending from FY 1997 to FY 1998. The FY 1998 estimate of \$70.0 million in baseline spending represents nearly a 250 percent increase over the FY 1993 funding level of \$20.2 million.

Bay-Delta Ecosystem Restoration Account

The President's FY 1998 Budget requests funding authorized by the Act in a new appropriation account (entitled "California Bay-Delta Ecosystem Restoration") under the Department of the Interior's Bureau of Reclamation. (See Exhibit 1.) The Department of the Interior would transfer funds appropriated to this account to other participating agencies based on plans to be approved by the Secretary of the Interior. This budget authority would be used to match non-Federal funding under the terms of a cost-sharing agreement now being developed with the State of California.

The ecosystem restoration plans will be developed by "CALFED" -- a consortium of Federal and State agencies with management and regulatory responsibilities in the Bay-Delta. CALFED has been charged with finding a balanced solution to the four main problems in the Bay-Delta: declining ecosystem health, uncertain water supplies, aging levees, and threatened water quality. CALFED was established in 1994 when the Federal agencies already coordinating their activities entered into a framework agreement with the Governor's Water Policy Council of the State of California.

Working with stakeholder groups, CALFED has developed a short list of major alternatives, each of which addresses the many problems of the Bay-Delta. It is now performing a detailed technical analysis of these alternatives and preparing a Programmatic Environmental Impact Statement (PEIS). The final PEIS on CALFED's Bay-Delta Program is currently scheduled to be filed in late FY 1998. CALFED is now developing an Ecosystem Restoration Plan that identifies near-term actions that are common to the major alternatives under consideration in the PEIS. In addition, CALFED is working to coordinate ecosystem restoration with current activities responding to the recent floods.

As specified in proposed appropriation language, Federal funds appropriated for ecosystem restoration in FY 1998 would be available for high-priority activities that should be undertaken prior to completion of the PEIS. The Administration expects that such activities will be identified through the process of developing CALFED's near-term Ecosystem Restoration Plan. Such activities are likely to include acquisition of fish and wildlife habitat, improvements to habitat, fish screens, control of exotic species, and monitoring of ecosystem health. After completion of the PEIS, FY 1998 and future funds would be available for the Federal share of the costs of a broader range of projects.

Activities Included in the Baseline

The Act requires a crosscut of "Federal spending for fiscal years 1993 through 1998 on ecosystem restoration and other purposes in the Bay-Delta region." Neither the Act nor the accompanying conference report provided a definition of these purposes. This report uses categories of water resources activities referenced in SB 900 to define Federal baseline spending in the Bay-Delta. The SB 900 categories used are:

- Delta Improvement program, including: the Central Valley Project Improvement program; the Bay-Delta Agreement program (Category III non-flow measures in the 1994 Bay-Delta Agreement); the South Delta Barriers program; and the CALFED Bay-Delta program (funding of Federal staff responsible for planning, environmental compliance, and implementation of Bay-Delta solutions);
- Clean Water and Water Recycling program, including: Drainage Management, and the Delta Tributary Watershed program; and

- **CALFED Bay-Delta Ecosystem Restoration program.** This includes certain Federal activities, such as work to address Endangered Species Act requirements, that are necessary parts of ecosystem restoration in the Delta that have been undertaken prior to spending by the State of California on this category and will likely continue.

Exhibit 2 shows, by agency, baseline Federal spending on ecosystem restoration and other purposes in the Bay-Delta region of California for FY 1993 through FY 1998. These are the discretionary expenditures for programs funded under authorizations that predated the California Bay-Delta Environmental Enhancement and Water Security Act. Baseline spending during the period ranged from \$20.2 million in FY 1993 to a high of \$77.1 million in FY 1996, to \$70.0 million in FY 1998.

Agency Components of Baseline

The Federal agencies currently with baseline funding identified for Bay-Delta ecosystem restoration activities are the Department of the Interior (Bureau of Reclamation, U.S. Fish and Wildlife Service, and the U.S. Geological Survey), the Army Corps of Engineers, the Environmental Protection Agency, the Department of Agriculture (Natural Resources Conservation Service), and the Department of Commerce (National Marine Fisheries Service). Other Federal agencies not listed below may participate with CALFED in Bay-Delta ecosystem restoration in the future.

Department of the Interior

- **Bureau of Reclamation.** The Bureau of Reclamation (Reclamation) accounts for \$55.7 million of baseline spending in FY 1998. During the FY 1993-1998 period, the Bureau of Reclamation has provided most of the Federal funding (about 75 percent) for ecosystem restoration activities in the Bay-Delta. Reclamation's primary activities are those authorized by the Central Valley Project Improvement Act. Funds for this purpose have come from general appropriations and from the Central Valley Project Restoration Fund, which consists of revenues collected from project beneficiaries. These funds have supported a variety of activities intended to restore fish and wildlife habitats and populations in the Central Valley, such as the development of the Anadromous Fish Restoration Plan; the acquisition of water for wildlife refuges and other environmental purposes; and the construction of hatchery improvements, fish screens, and other facilities. In addition, Reclamation has provided funds to support the CALFED Bay-Delta Program, the Interagency Ecological Program, and other Bay-Delta restoration activities.
- **U.S. Geological Survey.** U.S. Geological Survey (USGS) accounts for \$3.1 million of FY 1998 baseline funding. Although not yet a member of CALFED, the USGS has contributed critical data and scientific information related to water resources, wetlands, contaminants, and salinity, and assisted in ongoing biological research.

- U.S. Fish and Wildlife Service. The U.S. Fish and Wildlife Service (USFWS) accounts for \$0.7 million in FY 1998. The USFWS has been a member of CALFED since its inception and provides staff support to the Bay-Delta Program.

Army Corps of Engineers

The Army Corps of Engineers (Corps) accounts for \$5.1 million of baseline spending in FY 1998. The Corps is not yet a member of CALFED, but has provided support to the Agreement for a number of years. Most of the activities for the Corps consist of projects under Section 1135 of the Water Resources Development Act of 1986, and General Investigation (GI) program studies. The Corps is working under Section 1135 authority to pursue restoration projects along the Sacramento River by modifying existing Corps flood control and navigation projects. During FY 1998, construction is scheduled to be completed on a project that will restore seasonal and permanent wetlands on 396 acres. Two other Section 1135 projects, now in the planning and design stage, will involve restoration of mixed habitats on land currently in agricultural use. The GI program studies are investigating other potential environmental restoration opportunities.

Environmental Protection Agency

The Environmental Protection Agency (EPA) accounts for \$2.5 million of baseline spending in FY 1998. EPA is an original member and a co-chair of CALFED. EPA participates in the long-term planning process for the CALFED program as well as in the Delta tributary and drainage management activities. The majority of EPA financial support to the effort includes funds for grants under the Clean Water Act (Sections 319, 205j, and 604b), generally to the State of California. Because the State determines how and where to spend these funds, EPA has estimated the amounts the State is likely to allocate to the Bay-Delta region in FY 1997 and FY 1998. This estimate is based on historical trends and presumed State priorities. EPA has not included any Safe Drinking Water Act funding in its projection, because this program's role in ecosystem restoration and other related activities remains to be developed.

Department of Agriculture

The Department of Agriculture's Natural Resources Conservation Service (NRCS) accounts for \$2.1 million of baseline spending in FY 1998. NRCS provides technical assistance to support ecosystem restoration objectives in the Bay-Delta Area. Like the Corps, it is not yet a member of CALFED. Part of the NRCS increase from FY 1997 to FY 1998 reflects support for non-Federal watershed coordinators. In the future, USDA may be able to assist CALFED efforts using its authorities under the Federal Agricultural Reform Act of 1996 to purchase flood easements. Also, USDA can use the mandatory Conservation Reserve Program, Wetland Reserve Program, and Environmental Quality Incentives program to support ecosystem restoration.

Department of Commerce

The Department of Commerce's National Marine Fisheries Service (NMFS) accounts for \$0.8 million in FY 1998. NMFS, an original participant in CALFED, is working on a wide variety of improvement activities in the Delta and its tributary watersheds.

**Exhibit 2. ESTIMATE OF FEDERAL SPENDING ON ECOSYSTEM RESTORATION AND OTHER
PURPOSES IN THE BAY-DELTA REGION OF CALIFORNIA
(BA \$ in thousands)**

	FY 1993 (Actual)	FY 1994 (Actual)	FY 1995 (Actual)	FY 1996 (Actual)	FY 1997 (Estimated)	FY 1998 (Budget)
Estimated Baseline by Agency						
Department of the Interior:						
Bureau of Reclamation	12,061	44,688	42,019	60,678	53,124	55,701
U.S. Fish and Wildlife Service	75	125	291	721	721	650
U.S. Geological Survey	2,756	3,117	3,205	2,933	3,117	3,117
Army Corps of Engineers	1,892	6,259	7,202	7,197	8,677	5,127
Environmental Protection Agency	1,703	1,819	3,114	3,167	1,742 *	2,500 *
Department of Commerce:						
National Marine Fisheries Service	287	292	642	650	838	838
Department of Agriculture:						
National Resources Conservation Service	1,400	1,500	1,600	1,707	1,710	2,100
Subtotal, Baseline	20,174	57,800	58,073	77,053	69,929	70,033
California Bay-Delta Environmental Enhancement and Water Security Act	na	na	na	na	na	143,300
Total	20,174	57,800	58,073	77,053	69,929	213,333

* FY 1997 and FY 1998 are based on assumptions about the State's allocation of Federal grants to the Bay-Delta Region.